

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6170

BILL NUMBER: SB 19

DATE PREPARED: Mar 5, 1999

BILL AMENDED: Mar 4, 1999

SUBJECT: Community revitalization enhancement districts; Fort Wayne PSCDA.

FISCAL ANALYST: Diane Powers

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FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill allows two areas in Delaware County to be designated as community revitalization enhancement districts. (Current law: (1) provides a credit against certain state and local tax liability for a taxpayer that makes an investment for the redevelopment of property located in a community revitalization enhancement district; and (2) provides that the incremental amount of state and local income taxes and state sales tax collected from a community revitalization enhancement district are distributed to the district for deposit in the district's industrial development fund.)

This bill provides that in Fort Wayne a professional sports and convention development area may include a facility connected to and sharing at least one common area with a facility that is included in the development area and that is used for convention and tourism related events. It provides that in the case of a professional sports and convention development area in Allen County, food and beverage taxes are not "covered taxes" that are deposited in the Professional Sports and Convention Development Area fund.

Effective Date: July 1, 1999.

Explanation of State Expenditures: Under current law, the Budget Committee must review and make a recommendation to the Budget Agency after they are notified of a designation of a community revitalization enhancement district. The Budget Agency must approve the resolution designating the district. The Department of Revenue (DOR) must calculate the income tax base period amount and the gross retail base period amount for the district. The Treasurer must establish a incremental tax financing fund for the county who establishes the district. Money in the fund does not revert to the General Fund at the end of the fiscal year. Annually the DOR and the State Budget Agency must estimate and certify the amount of income tax and sales tax which will be collected from the district.

Explanation of State Revenues: (Revised) *Community Revitalization Tax Credit:* This bill allows Delaware County to establish two community revitalization enhancement districts. Taxpayers in these new districts

would be entitled to a Community Revitalization Tax Credit which was established in P.L. 125-1998. The tax credit is available for qualified investment made for the redevelopment or rehabilitation of property located within a community revitalization enhancement district. The expenditures must be made under a plan adopted by an advisory commission on industrial development and approved by the Department of Commerce.

The tax credit is based on 25% of the qualified investment. The tax credit may be used to reduce the taxpayer's tax liability under the following taxes: gross income, adjusted gross income, supplemental net income, county adjusted gross income, county option income, county economic development income, bank, savings and loan association, insurance premiums and financial institutions. The taxpayer may carry any excess credit over to the immediately following years, but is not entitled to a carryback or refund of any unused credit. A taxpayer may assign any part of the credit to a lessee of the property redeveloped or rehabilitated but must be in writing and reported to the Department of Revenue.

A taxpayer is not entitled to a credit if they substantially reduce or cease to operate in another area of the state in order to relocate within the district.

This tax credit is similar to the existing Industrial Recovery Site/Dinosaur Credit Program. Since the Industrial Recovery Site credit was established in 1987, 30 buildings have been approved for approximately \$29 M in credits. These credits were based on an estimated \$133.3 M of qualified investments. The credits ranged from \$50,000 to \$9 M with the average credit being approximately \$1 M for an average of \$5 M of qualified investments.

Tax Increment: This bill will allow Delaware County to capture up to \$1 M of the incremental taxes annually which is generated in the districts. This revenue will be transferred to the district's industrial development fund. The covered taxes which will be included are sales tax, gross income tax, adjusted gross income tax, supplemental net income tax, county adjusted gross income tax, county option income tax, and county economic development income tax. State sales and income taxes are generally deposited in the State General Fund and Property Tax Replacement Fund. The State would be forgoing any new income or sales tax revenue up to \$1 M per county which would be generated by the development in a community revitalization enhancement district.

The tax loss from the establishment of this district is restricted to 15 years.

Professional Sports and Convention Development Areas: PSCDAs are special zones in which certain state tax revenues earned in the area are diverted and deposited into a special fund. This fund is dedicated for capital improvement in the development area. The taxes which may be captured in PSCDAs are the gross retail tax, the individual adjusted gross income (AGI) tax, the food and beverage tax, and local option income taxes.

Under current law, PSCDAs may include only facilities owned by a city, county, local capital improvement board, or civic center board of directors. This bill as amended would create an exception in Fort Wayne that would allow any facility (even if privately owned) connected to a sports arena or convention center to become part of the special tax area. At the present time, there are no facilities connected to the Allen County War Memorial Coliseum development area that do not currently qualify as part of a PSCDA, so this bill would not immediately impact revenues. However, if new revenue-generating facilities were added as a result of this proposal, state and local revenues would be affected.

Revenue generated inside the development area through the gross retail tax and the individual AGI tax is deposited in the Allen County PSCDA fund until the annual limit on captured state taxes is reached. The maximum amount that may be captured is based on \$5 for each resident of the city or county, and for the Allen County the limit is \$1,500,000. Any collections in excess of this amount would be realized as normal state revenue. Collections for the Allen County fund began in October 1997, and through September 1998 had totaled \$426,008.

Explanation of Local Expenditures:

Explanation of Local Revenues: (Revised) *Community Revitalization District:* This bill allows for the establishment of two community revitalization enhancement districts in Delaware County. An ordinance must be approved or a resolution adopted by the legislative body of a municipality before an application can be made to an advisory commission on industrial development. An advisory commission on industrial development who is considering the designation of this type of district must have three additional members appointed by the Governor, the Lieutenant Governor and the Director of the Department of Workforce Development.

The advisory commission may adopt a resolution designating a particular area after making the following findings:

- 1) the area contains a building which meets specific criteria and has a specified number of employees in the area in comparison to 10 years ago;
- 2) the areas is located in or adjacent industrial park;
- 3) the area contains significant obstacles to redevelopment due to any of the following problems: obsolete or inefficient buildings; aging infrastructure or inefficient utility services; utility relocation requirements; transportation or access problems; topographical obstacles to redevelopment; or environmental contamination.

Tax Increment: This bill will allow the district to capture the incremental taxes which are generated from new development in the district. This revenue is to be deposited in the industrial development fund. The covered taxes which will be included are sales tax, gross income tax, adjusted gross income tax, supplemental net income tax, county adjusted gross income tax, county option income tax, and county economic development income tax. The local taxing units which would normally receive a share of the total local option income taxes generated in this district under current statute will not receive the incremental revenue generated. The bill allows money in the industrial development fund to be pledged by the advisory commission to pay debt service on bonds and to maintain a debt service reserve fund.

The establishment of the community revitalization enhancement districts and the capture of these incremental taxes will be subject to local action and the ability of a community to meet the requirements set out in this bill. The district is limited to 15 years after the time of designation.

Current law also allows all taxing units, except townships, to impose a levy for the Industrial Development Fund at a rate of up to \$0.05 per \$100 of assessed valuation. The proceeds from the tax levy may be pledged for the payment of bonds and obligations issued in a Community Revitalization District. If areas within Delaware County are designated as districts as a result of this bill, then Delaware County would be permitted to pledge the property tax levy from the Industrial Development Fund for the payment of bonds and obligations.

Professional Sports and Convention Development Areas: Food and beverage taxes and local option income taxes earned in PSCDAs are also captured for capital improvement, and there is no limit on the amount of local taxes that may be captured. However this bill specifies that the food and beverage tax in Allen County is not a covered tax and may not be captured by the PSCDA. Allen County imposes COIT at 0.6% and CEDIT at 0.4%. If new revenue-generating facilities were included in the development area, the PSCDA fund would increase by the full amount of additional COIT, and CEDIT tax revenue from these facilities. The increase in revenue would be directed to the PSCDA instead of the other local taxing units in the county as provided under current law.

State Agencies Affected: The Department of Commerce; the Department of Revenue; Treasurer of State; Budget Agency.

Local Agencies Affected: Allen County; Delaware County; Advisory Commission on Industrial Development.

Information Sources: The Department of Commerce; Department of Revenue; Allen County Auditor, (219) 449-7241; Garnett G. Mills, Manager of Finance and Administration, Allen County War Memorial Coliseum, (219) 482-9502.